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July 17, 2014

Idaho Public Utilities Commission  
ATTN: Jean Jewell  
472 W. Washington  
PO Box 83720  
Boise, ID 83720-0074

RECEIVED  
2014 JUL 17 PM 4:37  
IDAHO PUBLIC  
UTILITIES COMMISSION

Re: *Oregon-Idaho Utilities, Inc.'s Application for Authority to Increase Residential Rate for Local Exchange Service to Maintain Access to Federal High Cost Support (Case No. ORE-T-14-01)*

Dear Ms. Jewell:

Please find enclosed the original and seven (7) copies of Oregon-Idaho Utilities, Inc.'s *Application for Authority to Increase Residential Rate for Local Exchange Service to Maintain Access to Federal High Cost Support*. Also enclosed is a CD with a copy of the Application in Word format and Exhibits 1-3 in PDF format.

Sincerely,



Michael C. Creamer

MCC/rgm  
2130741\_1 / 2880-13

Enclosure(s)

cc: Doug Musgrave, Oregon-Idaho Utilities, Inc.  
Dean J. Miller, McDevitt & Miller, LLP

Kenneth R. McClure [ISB No. 2616]  
Michael C. Creamer [ISB No. 4030]  
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*Attorneys for Applicant Oregon-Idaho Utilities, Inc.*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF OREGON-IDAHO  
UTILITIES, INC.'S APPLICATION FOR  
AUTHORITY TO INCREASE  
RESIDENTIAL RATE FOR LOCAL  
EXCHANGE SERVICE TO MAINTAIN  
ACCESS TO FEDERAL HIGH COST  
SUPPORT

**CASE NO. ORE-T-14-01**

**APPLICATION AND REQUEST FOR  
MODIFIED PROCEDURE**

Oregon-Idaho Utilities, Inc. ("OIU"), pursuant to Idaho Code § 61-307, and Idaho Public Utilities Commission ("Commission") Rule 121 *et seq.*, IDAPA 31.01.01.121 *et seq.*, hereby makes this Application for an order authorizing OIU to increase its residential rate for local service from the current monthly rate of \$15.77 to \$20.00. OIU proposes the requested increase to be phased in over four years to coincide with incremental rate floor increases imposed by the Federal Communications Commission's ("FCC") June 10, 2014 *Omnibus Order* governing,

**APPLICATION TO INCREASE RESIDENTIAL RATE FOR LOCAL SERVICE  
AND REQUEST FOR MODIFIED PROCEDURE**

among other things, continued eligibility of Incumbent Local Exchange Carriers (“ILECs”) to receive high-cost support through the federal Connect America Fund.<sup>1</sup>

In support of this Application, OIU represents as follows:

## **I. BACKGROUND**

1. OIU is a privately-owned, independent, local exchange carrier serving remote, rural customers in southeast Oregon and southwest Idaho. OIU is a “telephone corporation” providing telecommunication services for compensation with the State of Idaho and is subject to the jurisdiction of the Commission under Titles 61 and 62, Idaho Code. OIU’s Oregon and Idaho exchanges are included within a single study area code 532390. OIU has Eligible Telecommunications Carrier (“ETC”) status in both jurisdictions.

2. OIU’s Idaho service territory encompasses the South Mountain Exchange, which, along with three exchanges in southeast Oregon, were acquired from Contel of the West in 1990. OIU serves 81 total access lines in the South Mountain Exchange, of which 55 are residential lines and 26 are business lines.

3. OIU’s annual gross revenue from retail customers in Idaho does not exceed \$3,000,000.

4. The South Mountain Exchange covers 2,126 square miles and represents some of the hardest-to-serve customer locations in the study area. Approximately one-third of OIU’s Idaho customers have no access to commercial power, rely on gas lamps, lanterns and/or low-grade solar power for lighting and obtain heat via wood or oil burning stoves.

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<sup>1</sup> *Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking*; WC Docket Nos. 10-90, 14-58 and 07-135; WT Docket No. 10-208 and CC Docket No. 01-92 (June 10, 2014) (“Omnibus Order”).

5. OIU receives federal high-cost support for its Idaho service territory but does not participate in the Idaho Universal Service Fund ("IUSF").

6. Since the Contel acquisition, OIU has upgraded the existing facilities within the four study area exchanges from multi-party service on aerial open wire to single-party service employing modern digital facilities, fiber and insulated copper cable. These initial upgrades were completed by 1997, and represent approximately \$8.4 million of investment financed primarily via RUS loans. Further upgrades begun in 2005 and funded by RUS loans and re-investment of OIU funds have allowed extension of broadband internet access to many of OIU's customers.

7. OIU currently has 143.3 miles of cable facilities in Idaho, of which 29.1 miles are fiber optic and 114.2 miles are metallic. Since OIU's operations in Oregon and Idaho are closely related, certain facilities within the company are used to provide service to customers in both states.

8. OIU historically has allocated its study area costs based on the relative number of access lines in Oregon and in Idaho. This has produced an approximately 90/10 allocation between the Oregon and Idaho jurisdictions as indicated in OIU's annual reports filed with the Commission.

9. OIU's current single-party residential rate for local exchange service is \$15.77 and its business rate is \$26.51. These rates have remained unchanged since 1990.

## II. THE FCC'S OMNIBUS ORDER

10. The FCC's *Omnibus Order* is the most recent in a series of decisions implementing the FCC's 2011 *Transformation Order*.<sup>2</sup> Relevant to OIU's Application, the *Transformation Order* established the Connect America Fund as the basis for providing high-cost support to rate-of-return carriers, and modified the criteria for a carrier's continued eligibility for universal service support. Beginning in July of 2012 the FCC began phasing in reductions in high-cost support on a dollar-for-dollar basis to the extent that a carrier's local end-user rate (plus state regulated fees<sup>3</sup>) was below a specified urban local rate floor.<sup>4</sup>

11. The *Transformation Order* established July 1, 2014 as the effective date for imposing a new rate floor to be determined following a survey of local rates by the Wireline Competition Bureau ("WCB"). Results of the WCB urban rate survey were announced on March 20, 2014, and calculated the average local end-user urban rates plus state regulated fees to be \$20.46 (average urban rate of \$19.81 and average state fees of \$0.65).<sup>5</sup>

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<sup>2</sup> *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("*Transformation Order*").

<sup>3</sup> Limited to state subscriber line charges, state universal service fees and mandatory extended area service charges. See 47 C.F.R. 54.318(e).

<sup>4</sup> *Transformation Order* at ¶¶ 238 – 239. The initial, phased-in rate floors were set at \$10 (July 1, 2012–June 30, 2013) and \$14 (July 1, 2013 – June 30, 2014).

<sup>5</sup> *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time To Comply with New Rate Floor*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 2967 (Wireline Comp. Bur. 2014) (*Rate Survey Results Public Notice*).

12. The FCC also established July 1 of each year as a deadline for all ETCs that also are ILECs to report the number of residential lines for which the company's rates fall below the then-effective rate floor.<sup>6</sup> To the extent a carrier's local rate falls below the rate floor, its high-cost support is reduced on a dollar-for-dollar basis.<sup>7</sup>

13. The original July 1, 2014 effective date for the new rate floor has been modified by the FCC's *Omnibus Order*, which adopts a rule implementing the rate floor increase over four years to allow ILECs and state commissions to make appropriate adjustments (i.e., rate adjustments) and to mitigate for potential customer rate shock.<sup>8</sup>

14. The four year phase-in schedule prescribed by the *Omnibus Order* is:

For the period December 1, 2014 through May 31, 2016: \$16.00

For the period June 1, 2016 through May 31, 2017: \$18.00

For the period commencing June 1, 2017: \$20.00

### **III. OIU'S PROPOSED SCHEDULE FOR INCREASING ITS SINGLE-PARTY RESIDENTIAL RATE**

15. OIU requests Commission authority to increase its residential rate to satisfy the rate floor eligibility requirements of the *Omnibus Order* and related FCC regulations. Specifically, OIU seeks the Commission's approval in this proceeding to increase the rate incrementally to satisfy the requirements of the four-year phase-in schedule adopted in the *Omnibus Order*. The effective date for the first scheduled increase would be December 1, 2014, with each subsequent increase to be effective June 1.

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<sup>6</sup> 47 C.F.R. § 54.313(h).

<sup>7</sup> *Transformation Order* at ¶ 239; 47 C.F.R. 54.318(b).

<sup>8</sup> *Omnibus Order* at ¶¶ 7, 78-80.

16. Exhibits 1 and 2 show the proposed changes in numbers and wording and the scheduled increases of OIU's residential rate tariff, Sheet No. 301.

17. Authorizing a phased-in rate increase via a single decision on this Application will: 1) make the most efficient use of the Commission's and OIU's time and resources by anticipating and accommodating the necessary rate increases so as to track the scheduled FCC rate floor increases; 2) allow OIU's customers to fully understand the purpose, scope and timing of the necessary rate increases; and 3) permit OIU to optimize both its access to high cost support and the quality of service to its Idaho customers.

18. OIU submits that the rates as scheduled in OIU's proposed new tariff each are just and reasonable as contemplated by Idaho Code § 61-301, and they are affordable based on findings in the above-discussed FCC *Orders* and the *WCB Rate Survey Results Public Notice* that set a rate floor based on a survey of average urban residential rates. The affordability of OIU's proposed rates also is implicit in this Commission's recent Order 32883 where it found the 2013 statewide weighted average residential rate to be \$21.73, and also found it "just and reasonable" to increase IUSF monthly surcharge rates so as to maintain IUSF disbursements to participating carriers at current levels.<sup>9</sup> Order No. 32883 also authorized IUSF companies to maintain local exchange residential rates at \$25.76, a rate higher than the rates proposed herein.

19. Based on the current number of residential lines served, the proposed residential rate increases would generate approximately \$2,800 of increased annual revenue in 2018 when compared to current annual residential revenues.

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<sup>9</sup> Case No. GNR-T-13-04, Order No. 32883.



20. A copy of the notice OIU is sending to each of its Idaho customers contemporaneously with the filing of this Application is attached hereto as Exhibit 3.

21. Because OIU's annual Idaho gross revenues are under \$3,000,000, it is not required to file a Notice of Intent to File a General Rate Case or subject to other requirements of Commission Rule 121.01.b, c or e, or Rule 122.<sup>10</sup>

22. OIU stands ready for immediate consideration of this Application.

#### **IV. MODIFIED PROCEDURE**

23. OIU believes that a hearing is not necessary to consider and resolve the issues presented by this Application and requests that this Application be processed under Modified Procedure.

#### **V. COMMUNICATIONS AND SERVICE OF PLEADINGS**

24. Communications and service of pleadings regarding this Application should be sent to:

Doug Musgrave  
Oregon-Idaho Utilities, Inc.  
P.O. Box 1880  
Nampa, ID 83653  
[doug.musgrave@oiutelecom.net](mailto:doug.musgrave@oiutelecom.net)

Dean J. Miller  
McDevitt & Miller, LLP  
420 W. Bannock St.  
Boise, ID 83702  
[joe@mcdevitt-miller.com](mailto:joe@mcdevitt-miller.com)

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<sup>10</sup> IDAPA 31.01.01.121.b, .c and .e and 31.01.01.122.



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Michael C. Creamer  
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601 W. Bannock St.  
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25. For the reasons presented above, OIU respectfully requests that the Commission issue an order approving OIU's Application requesting an increase in its residential rate for local service, as described in Exhibit 2, and that its Application be processed under the Commission's rules for Modified Procedure.

Respectfully submitted this 17<sup>th</sup> day of July, 2014.



Michael C. Creamer  
GIVENS PURSLEY LLP  
*Attorneys for Oregon-Idaho Utilities, Inc.*

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 17<sup>th</sup> day of July, 2014, the foregoing was filed, served, and copied as follows:

**DOCUMENT FILED:**

Idaho Public Utilities Commission  
ATTN: Jean Jewell  
472 W. Washington  
PO Box 83720  
Boise, ID 83720-0074

<input type="checkbox"/>	U. S. Mail
<input checked="" type="checkbox"/>	Hand Delivered
<input type="checkbox"/>	Overnight Mail
<input type="checkbox"/>	Facsimile
<input type="checkbox"/>	E-mail

**COPIES TO:**

Doug Musgrave  
Oregon-Idaho Utilities, Inc.  
P.O. Box 1880  
Nampa, ID 83653  
[doug.musgrave@oiutelecom.net](mailto:doug.musgrave@oiutelecom.net)

<input checked="" type="checkbox"/>	U. S. Mail
<input type="checkbox"/>	Hand Delivered
<input type="checkbox"/>	Overnight Mail
<input type="checkbox"/>	Facsimile
<input checked="" type="checkbox"/>	E-mail

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<input checked="" type="checkbox"/>	U. S. Mail
<input type="checkbox"/>	Hand Delivered
<input type="checkbox"/>	Overnight Mail
<input type="checkbox"/>	Facsimile
<input checked="" type="checkbox"/>	E-mail



Michael C. Creamer

**OREGON-IDAHO UTILITIES, INC.**

**LOCAL SERVICE**

**Local Access Line Rates. (Continued)  
Residence Service**

<u>Exchange Names</u>	<u>PBX Trunks</u>	<u>One Party</u>	<u>Two Party</u>	<u>Four Party</u>
South Mountain	20.70	<del>15.77</del>	13.09*	8.06*

~~\*Rate for service established and retained by same customer and same premise while service was being provided by Contel of the West, Inc. until disconnected or moves. Will not be offered for new installations.~~

Above rates are flat rate monthly service and do not include applicable fees and taxes, customer premises inside wire, the telephone instrument or other terminal equipment.

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Oregon-Idaho  
Issued Per IPUC Order No.  
Effective –

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Issued by Oregon-Idaho Utilities, Inc.  
Ryan Clark, President  
Address: 1023 N. Horton,  
Nampa, Idaho 83651

First Revised Sheet No. 301  
Replacing all Previous Sheets

**OREGON-IDAHO UTILITIES, INC.**

**LOCAL SERVICE**

**Local Access Line Rates. (Continued)**  
**Residence Service**

Effective for period December 01, 2014 through May 31, 2016

<u>Exchange Names</u>	<u>PBX Trunks</u>	<u>Single Party</u>
South Mountain	20.70	16.00

Effective for period June 01, 2016 through May 31, 2017

<u>Exchange Names</u>	<u>PBX Trunks</u>	<u>Single Party</u>
South Mountain	20.70	18.00

Effective for period June 01, 2017

<u>Exchange Names</u>	<u>PBX Trunks</u>	<u>Single Party</u>
South Mountain	20.70	20.00

Above rates are flat rate monthly service and do not include applicable fees and taxes, customer premises inside wire, the telephone instrument or other terminal equipment.

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Oregon-Idaho  
Issued Per IPUC Order No.  
Effective –

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Issued by Oregon-Idaho Utilities, Inc.  
Ryan Clark, President  
Address: 1023 N. Horton,  
Nampa, Idaho 83651



## NOTICE OF PROPOSED INCREASE IN RESIDENTIAL RATES FOR OUR IDAHO CUSTOMERS

Dear Customer:

We are notifying you that Oregon-Idaho Utilities ("OIU") has submitted an Application to the Idaho Public Utilities Commission requesting authorization to adjust residential local service rates for our customers in the South Mountain, Idaho exchange. We are seeking this increase to comply with recent orders issued by the Federal Communications Commission. By doing so, we can avoid automatic reductions in federal financial support that we currently receive. This financial support helps OIU cover the high cost of providing service in the South Mountain exchange and thereby maintain affordable rates for our customers.

The FCC has established a local rate floor to be phased in over a four year period. Our Application to the Idaho Commission reflects this phase-in period and therefore requests the following changes to our rates:

DATE	RATE	
Rate Prior to December 2014	\$15.77 per month	(Current Rate)
December 01, 2014	\$16.00 per month	(1.5% Increase)
June 01, 2016,	\$18.00 per month	(12.5% Increase)
June 01, 2017	\$20.00 per month	(11% Increase)

The proposed rate changes are the first rate increases since 1990 when the current \$15.77 rate was established.

These proposed increases are subject to public review and comment per the Idaho Commission's procedural rules. A copy of OIU's Application may be obtained from the Commission at 427 W. Washington, Boise, Idaho 83702-5918 (208-334-0300) or OIU's offices, or may be viewed on the Commission's homepage at:

<http://www.puc.idaho.gov/fileroom/cases/summary/tele.html>

If you have any questions concerning OIU's Application, please contact our business office at (800) 624-0082 during normal business hours.